

**WRITTEN TESTIMONY OF WILLIAM S. SAUM
DIRECTOR OF AGENT, GAMBLING AND AMATEURISM ACTIVITIES
NATIONAL COLLEGIATE ATHLETIC ASSOCIATION
before the
HOUSE FINANCIAL SERVICES SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS**

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Madame Chairwoman and members of the Subcommittee, thank you for the opportunity to testify on behalf of the National Collegiate Athletic Association (NCAA) and to share with you our concerns related to the growth and impact of sports gambling on the Internet. The NCAA is a membership organization consisting of nearly 1,000 universities and colleges and is devoted to the regulation and promotion of intercollegiate athletics for over 330,000 male and female student-athletes.

Though the growth of Internet gambling has seemingly sprouted overnight, this is not a new issue for the NCAA. For the past four years, we have worked with House and Senate sponsors in an effort to adopt legislation that would, in part, ensure that all sports gambling on the Internet is prohibited in this country. Why? The answer is quite simple. When people place wagers on college games there is always the potential that the integrity of the contest may be jeopardized and the welfare of student-athletes may be threatened. For example, many of you are aware of the recent point shaving scandals on the campuses of Northwestern University and Arizona State University. While these cases occurred before the rise of the Internet gambling industry, the impact of these sports gambling incidents must not be minimized. Millions and millions of dollars were wagered on the games. The result? Several of the student-athletes involved were indicted and sentenced to serve time in federal prisons. Coaches and teammates were betrayed and the two schools have seen their reputations tarnished. It is clear that sports gambling is not a victimless crime and that the potential for similar incidents to occur has increased now that sports bets can be placed on the Internet.

Perhaps the most frustrating aspect of Internet gambling is that while we all acknowledge the wondrous benefits of the Internet age, the Internet also has presented some significant challenges. Today, this new communications medium allows online gambling operators to circumvent existing U.S. laws aimed at prohibiting sports gambling. In 1961, Congress enacted the Interstate Wire Act that clearly prohibits interstate sports wagers transmitted over a wire communication facility. Yet Internet sports gambling continues to thrive in the U. S. and has grown largely unchecked. The challenge of effectively combating offshore Internet gambling operators is a different problem than the issue of telephone wagering with sports bookies that was confronting Congress four decades ago. This is why we believe that new federal legislation is needed to address the rapidly transforming world of gambling in cyberspace.

As you listen today to witnesses arguing the pros and cons of Internet gambling, please do not overlook the potentially harmful impact of this activity on young people. A growing consensus of research reveals that the rates of pathological and problem gambling among college students

are three times higher than the adult population. This fact surely did not go unnoticed when the National Gambling Impact Study Commission recommended a federal ban on Internet gambling in June 1999.

Just four years ago, when the NCAA became involved in the legislative effort to ban Internet gambling, there were four dozen Internet gambling sites. Now there are 1,400 unique Internet gambling Web sites. Today, college students are perhaps the most wired group in the U.S. They can surf the Web in their school library, in a computer lab or in the privacy of their dorm room. The emergence of Internet gambling enables students to wager behind closed doors, anonymously, and with the guarantee of absolute privacy. Furthermore, the ease and accessibility of Internet sports gambling creates the potential for student-athletes to place wagers over the Internet and then attempt to influence the outcome of the contest while participating on the court or playing field.

If left unchecked, the growth of Internet gambling could be fueled by college students. Today, college students are armed with the means to gamble on the Internet. A 2000 study by Nellie Mae indicates that 78 percent of college students have credit cards and 32 percent have four or more cards. The average credit card debt for undergraduates has risen nearly 50 percent in the past two years to \$2,750.

In my position as the NCAA director of agent, gambling and amateurism activities, I have already seen how students are falling victim to the lure of Internet gambling. Offshore operators continue to implement aggressive marketing tactics. There are billboards promoting Internet gambling sites in cities across the country, student-athletes continue to complain about receiving unsolicited e-mails for sports gambling Web sites and there have been reports of individuals passing out flyers touting Internet gambling opportunities at fraternity houses. I have spoken with students who have lost thousands of dollars gambling on the Internet. In fact, last year at a congressional hearing we played a video tape account of a college student who, in just three months, lost \$10,000 gambling on sports over the Internet. Prior to placing his first bet online, this student had never wagered on a sporting event. Please be assured that this student's experience is not unique. The NCAA has heard from others with similar stories and the media is widely reporting on this emerging problem among young people. Finally, our staff is beginning to process NCAA rules violation cases involving Internet sports gambling. There is no doubt that the Internet has made sports gambling more accessible than ever.

The popularity of Internet gambling is not being lost on corporate America. Despite a federal statute clearly prohibiting sports gambling over the Internet, many U.S. companies continue to profit from Internet gambling related activities. On July 6, the *New York Times* published an article that highlighted some of the companies who are reaping monetary rewards from their association with Internet gambling. Most disappointing was the cavalier response from two

popular Web sites that profit by posting Internet gambling advertisements. The article mentioned that both Google.com and Yahoo do not accept tobacco ads but do take advertising money from Internet gambling operators. A spokeswoman for Yahoo indicated that the company “probably” has the technology that would allow it to target the ads only in jurisdictions where they are legal but that Yahoo is not currently employing such technology. A Google.com vice president provided a more troubling response to the question of why they prohibit tobacco and alcohol ads but not Internet gambling advertisements. He indicated that “while smoking and drinking were legal and Internet gambling was illegal in many states, ‘gambling is not in the same class for us.’” The purpose of citing these examples is not to single out these companies but rather to demonstrate the current environment that exists.

There is a real need for legislation to address the unique changes that technology can now offer gamblers in cyberspace. On the legislative front, the past four years have been marked by frustration. Those supporting efforts to adopt Internet gambling prohibition legislation have come very close to achieving their goal but, in the end, they have been thwarted by an aggressive and well-financed opposition. Unfortunately, with each passing year, the Internet gambling industry grows at an exponential rate. The NCAA supports legislative efforts that will ensure that gambling on sports over the Internet is prohibited. It is true that there are existing laws that already prohibit sports gambling in nearly every state. However, these laws were enacted before the rise of the Internet and do not adequately address the problem of sports gambling via this new communications medium.

Internet gambling, with its global reach, knows no geographic boundaries. Further, the Internet continues to evolve. No longer is everyone accessing the World Wide Web over standard phone lines. Wireless access is now the rage and these new developments enable people to place bets using their Palm Pilots and cell phones. Current law simply does not cover these wireless activities.

The real challenge is drafting legislation that will not only address the problems associated with Internet gambling but also provide an effective enforcement mechanism that will have an impact on these offshore gambling operations. The NCAA is pleased that the Subcommittee is concerned about Internet gambling. Last year, the House Banking and Financial Services Committee approved legislation that would have prohibited the use of credit cards in connection with illegal Internet gambling. As many of you know, some credit card issuers have already imposed voluntary restrictions prohibiting U.S. customers from using their cards in any Internet gambling transaction. Unfortunately, the offshore operators are already a step ahead of the game. For example, on its Web site, onlinesportsbook.com alerts its customers that they may experience difficulties using their credit cards when placing wagers. Without referencing the legal issues behind these problems, the operator suggests that customers utilize the services of

one of several online financial account intermediaries, including FirePay and Pay Pal. It is our understanding that the use of these financial intermediaries makes it difficult for any credit card company to determine whether a given transaction is being used for Internet gambling purposes. Further, it creates a much more tangled web for law enforcement to navigate through as they try to “follow the money.”

Clearly, the crafting of legislation will not be easy but the NCAA urges this Subcommittee and Congress not to let this opportunity slip away. Thoughtful legislation can be successful in significantly curtailing the growth and popularity of Internet gambling in this country.